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SUBJECT: RUSSIA'S FINANCE MINISTRY ON IRAQ DEBT AND AUGUST
9 VISIT OF IRAQ OIL MINISTER - CORRECTED VERSION

REF: A. MOSCOW 3891

[1](#)B. BAGHDAD 2616

[1](#)C. STATE 107186

[1](#)D. MOSCOW 3433

[1](#)1. (S) Deputy Finance Minister Storchak confirmed with the Embassy that Iraqi Oil Minister Shahrastani will visit Moscow on August 9 to discuss "commercial cooperation" between the two countries. Storchak said FinMin Kudrin and officials in the Presidential Administration have pressed upon their GOR counterparts not to demand nor expect commercial contracts out of these discussions. Nonetheless, Storchak said that the conversations between Shahrastani and Russian Minister for Industry and Energy (MIE) Khristenko must be "fruitful and productive" to establish the proper framework for a debt agreement. FinMin Kudrin has limited ability to muster the consensus needed if Khristenko is not satisfied, Storchak commented.

[1](#)2. (S) Storchak said he was privy to internal GOR discussions during which it was agreed that it would be of great importance for Shahrastani to meet with Lukoil. The GOR understands that the Iraqis are not yet prepared to discuss the West Quarna oil concession, but a meeting with Lukoil would demonstrate the seriousness by which the Iraqis see Russian investment as a real possibility. It would also serve to recognize Lukoil's "special" status in Iraq. Lukoil, Storchak maintained, should also be acknowledged for its philanthropic work, such as the training it provides for Iraqi engineers in its oil and gas institute.

[1](#)3. (S) While acknowledging once again that there can be no explicit link between commercial deals and a debt agreement, Storchak also argued that it would be useful if the Iraqis, either during Shahrastani's visit or afterwards, would consider following the Afghan government's example. The GOA's Finance Minister, during the August 6th debt signing ceremony, also signed with the GOR a Memorandum of Understanding that mentioned "commercial spheres of mutual interest", including in such sectors as transport and infrastructure, and that Russian companies would be welcome to compete in the open tender process. He also said that the atmospherics were greatly improved by Ahad's announcement of Russian Technopromexport win of a tender for a USD 30 million power station modernization project. While this was a business-to-business deal, it underscored Afghanistan's openness to Russian investment, he commented.

[1](#)4. (S) Storchak agreed to meet with the Embassy next week to discuss the Russian reaction to Shahrastani's visit and whether the timing is - or would soon be right - for Iraq Finance Minister Jabr to travel to Russia to sign a debt agreement. He confirmed that all the technical details of the

debt agreement are concluded.

DPRK Debt

15. (S) Taking advantage of the meeting, Storchak reiterated the GOR's request to have U.S. "moral approval" for it to begin debt negotiations with the DPRK. Storchak made the same request to Treasury DepSec Kimmitt during last week's APEC meeting, and to State U/S Jeffery during the latter's July 16-18th visit to Moscow. He said the GOR has proposed the fall for talks, and noted that the DPRK already has sent delegations to Moscow twice this year for informal discussions. The next round will likely be held in Pyongyang.

Comment:

16. (S) The agreement with Afghanistan, after months of delays and negotiations, should be welcomed. That said, the add-ons to the agreement, while just promises, could set the bar higher for an agreement with Iraq. The GOR got the political cover necessary from Afghanistan to seal the deal. They will likely expect no less from Iraq.

RUSSELL